



**United States Department of Agriculture
Rural Development
Idaho State Office**

Idaho AN 1608 (3550)

October 1, 2004

SUBJECT: Direct Single Family Housing Area Loan Limits

TO: All SFH Specialists and Area Directors
USDA, Rural Development, Idaho

PURPOSE/INTENDED OUTCOME: The purpose of this Administrative Notice (AN) is to establish maximum loan limits, authorized under the Section 502 direct loan program and to provide guidance for USDA, Rural Development employees in the processing of direct Single Family Housing (SFH) applications.

COMPARISONS WITH PREVIOUS ANs: This AN replaces Idaho AN 1565 (3550) dated October 1, 2003. Blaine, Latah, Teton, and Valley County area loan limits were increased. All other counties remained the same.

IMPLEMENTATION RESPONSIBILITIES: USDA, Rural Development employees will review and process direct Single Family Housing applications in the manner described below when determining maximum loan limitations.

A modest dwelling must be one that is considered modest for the area, must not be designed for income producing purposes, must not have an in-ground swimming pool or have a market value in excess of the applicable maximum loan limit.

The area loan limits are a maximum market value limit, not a goal for new Section 502 direct loans. For example, if the cost of a typical house in a particular county is \$110,000 then we should continue to finance houses in that price range, even though the area loan limit may have increased to \$130,000. This will lessen the chance of a house being determined ineligible due to the appraised value exceeding the applicable area loan limit.

The area loan limit is the maximum value of the property RHS will finance in a given locality. To arrive at the area loan limit value, the cost to construct a modest dwelling as provided by Marshall & Swift was added to the market value of a typical improved site.

EXPIRATION DATE: September 30, 2005

FILING INSTRUCTIONS:
HB-1- 3550, Appendix 10

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Regional area limits were created on a geographical basis (two or more contiguous counties that are similar in economic characteristics). The revised Area Loan Limits for Idaho are attached. These limits are effective October 1, 2004. All area loan limit data will be updated annually. **All USDA Rural Development offices are directed to begin collecting new comparable sales (of typical sites located in eligible areas) so they will be available when area loan limits are updated on an annual basis.**

As stated in HB-1-3550, paragraph 3550. 63 (a) (2), the maximum loan limit for a particular loan will be reduced in the following situations:

- A. When the applicant owns the site or is purchasing the site at a sales price below market value, the market value of the lot will be deducted from the maximum loan limit, and
- B. When an applicant is receiving a housing grant or other form of affordable housing assistance for purposes other than closing costs, the amount(s) of such grants and affordable housing assistance will be deducted from the maximum loan limit.
- C. The maximum loan limit for self-help housing will be calculated by adding the total of the market value of the lot (including reasonable and typical costs of site development), the cost of construction, and the value of sweat equity. The total of these three factors cannot exceed the area loan limit.

Please contact the Housing Programs staff, if you have any questions.

MICHAEL A. FIELD
State Director

Attachment